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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Greentown China Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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**GREENTOWN CHINA HOLDINGS LIMITED**

**綠城中國控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3900)**

**CONNECTED TRANSACTIONS**

**The Independent Financial Adviser to  
the Independent Board Committee and the Shareholders**

***Hercules***  
**Hercules Capital Limited**

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A letter from the Board is set out on pages 7 to 15 of this circular and a letter from the Independent Board Committee is set out on page 16 of this circular. A letter from Hercules Capital, the Independent Financial Adviser to the Independent Board Committee and the Shareholders, containing its advice to the Independent Board Committee and the Shareholders in relation to the Transactions is set out on pages 17 to 26 of this circular.

\* *For identification purposes only*

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## DEFINITIONS

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*In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:*

|                           |  |
|---------------------------|--|
| “Acquisition”             | the acquisition of the Sale Interests from the Seller by the Buyer under the Agreement   |
| “Agreement”               | the equity transfer agreement dated 6 January 2010 entered into between the Buyer and the Seller in respect of the Acquisition   |
| “associate(s)”            | has the meaning ascribed to it under the Listing Rules   |
| “Auction Deposit”         | the auction deposit (競賣保證金) in the amount of RMB75,000,000 (approximately HK\$85,500,000) paid by the Buyer into the account designated by the Beijing Equity Exchange in accordance with the requirements of the Beijing Equity Exchange, as a guarantee for its intention to bid for the Sale Interests  |
| “Beijing Equity Exchange” | 北京產權交易所有限公司 (China Beijing Equity Exchange Co., Ltd.*)   |
| “Board”                   | the board of Directors   |
| “Buyer”                   | 舟山綠城房地產開發有限公司 (Zhoushan Greentown Real Estate Development Co., Ltd.*), a limited liability company which was incorporated in the PRC on 16 December 1999, and is wholly-owned by Greentown Real Estate, and indirectly wholly-owned by the Company   |
| “Chang Zhi Dao Project”   | 浙江舟山市長峙島項目 (Zhejiang Zhoushan City Chang Zhi Dao Project*), principally a residential property development project located at Lincheng New Area, Zhoushan City, Zhejiang province, the PRC, with a total site area of approximately 1,554,583 square metres, and comprising the City Construction Land, the Mingcheng Land, the Qianyuan Land and the Ruifeng Land |

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## DEFINITIONS

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|                          |   |
|--------------------------|---|
| “City Construction”      | 城建中稷(浙江)實業發展有限公司 (Urban Construction Zhongji (Zhejiang) Industry & Development Co., Ltd.*), a limited liability company which was incorporated in the PRC on 5 May 2005, and is 96.875% owned by the Target Company and 3.125% owned by 臨城新區開發建設有限公司 (Zhoushan City Lincheng New Area Development and Construction Co., Ltd.*), a party which is independent of and not a connected person of the Company |
| “City Construction Land” | the eight parcels of land with a total site area of approximately 513,062 square metres, directly wholly-owned by City Construction under the Chang Zhi Dao Project   |
| “Company”                | Greentown China Holdings Limited (綠城中國控股有限公司*), a company incorporated in the Cayman Islands with limited liability on 31 August 2005, the Shares of which are listed on the Stock Exchange   |
| “connected person”       | has the meaning ascribed to it under the Listing Rules  |
| “Consideration”          | RMB250,000,000 (approximately HK\$285,000,000)  |
| “De He”                  | 德和國際實業有限公司 (De He International Industrial Limited), a limited liability company which was incorporated in Hong Kong on 26 July 2004, and is indirectly wholly-owned by the Company   |
| “Deposit”                | the deposit in an aggregate amount of RMB20,000,000 (approximately HK\$22,800,000) paid by the Buyer to the Seller in relation to the Acquisition   |
| “Directors”              | the directors of the Company  |
| “Effective Date”         | the effective date of the Agreement, being 7 January 2010, the date on which the approval on the Acquisition is obtained from 北京市商務局 (Beijing Municipal Commission of Commerce*)  |
| “Framework Agreement”    | the legally binding framework agreement dated 4 November 2009 entered into between the Buyer and the Seller in respect of the Acquisition   |

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## DEFINITIONS

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|---|--|
| “Greentown Real Estate”                               | 綠城房地產集團有限公司 (Greentown Real Estate Group Co., Ltd.*), a wholly foreign-owned enterprise which was established in the PRC on 6 January 1995, and is indirectly wholly-owned by the Company  |
| “Group”   | the Company and its subsidiaries   |
| “HK\$”  | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”   | the Hong Kong Special Administrative Region of the PRC   |
| “Independent Board Committee”                         | an independent committee of the Board comprising the independent non-executive Directors to advise the Shareholders in respect of the Transactions   |
| “Independent Financial Adviser” or “Hercules Capital” | Hercules Capital Limited, licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, not connected with any of the directors, chief executive and substantial shareholders of the Company, its subsidiaries and their respective associates, and the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders in respect of the Transactions |
| “Independent Property Valuer” or “DTZ”                | DTZ Debenham Tie Leung Limited, an independent property valuer, which is not connected with any of the directors, chief executive and substantial shareholders of the Company, its subsidiaries and their respective associates  |
| “Interest”  | the interest accrued on the Shareholder’s Loan from 1 February 2008 to the actual date of repayment of the Shareholder’s Loan, calculated at a rate which equals to 110% of the 6-month to one-year benchmark lending interest rate of bank loans (六個月至一年期銀行貸款基準利率) set by the People’s Bank of China for the same period  |
| “Latest Practicable Date”                             | 19 February 2010, being the last practicable date before the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular  |

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## DEFINITIONS

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|---------------------|---|
| “Listing Rules”     | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Mingcheng Land”    | the two parcels of land with a total site area of approximately 409,540 square metres, directly wholly-owned by Zhoushan Mingcheng under the Chang Zhi Dao Project  |
| “MOU”               | the legally binding memorandum of understanding dated 20 August 2009 entered into between the Seller and Greentown Real Estate in respect of the sale of the Sale Interests by the Seller   |
| “Note Holders”      | the holders of the US\$400,000,000 9.00% Senior Notes due 2013, 90.3% of the notes was repurchased by the Company in May 2009. Please refer to the announcements of the Company dated 21 April 2009 and 20 May 2009 for further information regarding the repurchases |
| “Option Holders”    | the holders of the share options granted by the Company pursuant to the share option scheme adopted by a resolution of the Shareholders on 22 June 2006   |
| “percentage ratios” | has the meaning ascribed to it under the Listing Rules  |
| “PRC”               | the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan  |
| “Qianyuan Land”     | the parcel of land with a site area of approximately 165,119 square metres, directly wholly-owned by Zhoushan Qianyuan under the Chang Zhi Dao Project  |
| “RMB”               | Renminbi, the lawful currency of the PRC  |
| “Ruifeng Land”      | the 11 parcels of land with a total site area of approximately 466,862 square metres, directly wholly-owned by Zhoushan Ruifeng under the Chang Zhi Dao Project   |
| “Sales Interests”   | the 40% direct equity interests owned by the Seller in the Target Company   |

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## DEFINITIONS

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|                          |  |
|--------------------------|--|
| “Seller”                 | 北京城建投資發展股份有限公司 (Beijing Urban Investment & Development Co., Ltd.*), a limited liability company which was incorporated in the PRC on 30 December 1998, the shares of which are listed on the Shanghai Stock Exchange   |
| “Senior Notes”           | the US\$400,000,000 9.00% senior notes due 2013 issued by the Company on 10 November 2006  |
| “SFO”                    | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)  |
| “Shareholders”           | holders of the Shares  |
| “Shareholder’s Loan”     | the shareholder’s loan in the total amount of RMB207,744,110 (approximately HK\$236,828,285) provided by the Seller to the Target Company  |
| “Share(s)”               | the ordinary share(s) of HK\$0.1 each of the Company   |
| “Stock Exchange”         | The Stock Exchange of Hong Kong Limited  |
| “Target Company”         | 北京城建中稷實業發展有限公司 (Beijing Urban Construction Sino-Stately Industry & Development Co., Ltd.*), a sino-foreign equity joint venture which was incorporated in the PRC on 18 November 2004, and is 40% owned by the Seller, 30% owned by Zhongji Group and 30% owned by De He |
| “Target Group”           | the Target Company and the Target Group Companies  |
| “Target Group Companies” | City Construction, Zhoushan Mingcheng, Zhoushan Qianyuan and Zhoushan Ruifeng  |
| “Transactions”           | the Acquisition, the payment of the Deposit and the repayment of the Shareholder’s Loan and the Interest   |
| “Zhongji Group”          | 中稷集團(香港)國際金融投資有限公司 (Zhongji Group (HK) International Financial Investment Limited), a limited liability company which was incorporated in Hong Kong on 6 June 2003, and is indirectly wholly-owned by the Company  |

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## DEFINITIONS

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|                      |  |
|----------------------|--|
| “Zhoushan Mingcheng” | 舟山明程房地產開發有限公司 (Zhoushan Mingcheng Real Estate Development Co., Ltd.*), a limited liability company which was incorporated in the PRC on 11 July 2003, and is wholly-owned by City Construction   |
| “Zhoushan Qianyuan”  | 舟山市乾源房地產開發有限公司 (Zhoushan Qianyuan Real Estate Development Co., Ltd.*), a limited liability company which was incorporated in the PRC on 31 October 2005, and is wholly-owned by City Construction  |
| “Zhoushan Ruifeng”   | 舟山瑞豐房地產開發有限公司 (Zhoushan Ruifeng Real Estate Development Co., Ltd.*), a limited liability company which was incorporated in the PRC on 12 April 2005, and is 54% owned by the Target Company, 40% owned by 寧波明瑞實業投資有限公司 (Ningbo Mingrui Industry and Investment Co., Ltd.*), a party which is independent of and not a connected person of the Company, and 6% owned by City Construction |

*Note:* For the purpose of this circular, the exchange rates of RMB1 = HK\$1.14 and US\$1.00 = HK\$7.78 have been used for currency translation, where applicable. Such exchange rates are for illustration purposes and do not constitute representation that any amount in RMB, HK\$ or US\$ have been, could have been or may be converted in such rates.

\* *For identification purposes only*



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LETTER FROM THE BOARD

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**GREENTOWN CHINA HOLDINGS LIMITED**

**綠城中國控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 3900)**

*Executive Directors:*

Mr Song Weiping (*Chairman*)  
Mr Shou Bainian (*Executive Vice-Chairman*)  
Mr Luo Zhaoming (*Vice-Chairman*)  
Mr Chen Shunhua  
Mr Guo Jiafeng

*Registered office:*

M&C Corporate Services Limited  
PO Box 309GT, Uglan House  
South Church Street  
George Town, Grand Cayman  
Cayman Islands

*Independent non-executive Directors:*

Mr Jia Shenghua  
Mr Jiang Wei  
Mr Sze Tsai Ping, Michael  
Mr Tsui Yiu Wa, Alec  
Mr Tang Shiding  
Mr Ke Huanzhang

*Principle place of business*

*in Hong Kong:*  
Room 1406-8, 14th Floor  
New World Tower 1  
16-18 Queen's Road Central  
Hong Kong

24 February 2010

*To the Shareholders and, for information only,  
the Note Holders and the Option Holders*

Dear Sir or Madam,

**CONNECTED TRANSACTIONS**

**INTRODUCTION**

The Board announced that, on 6 January 2010, the Buyer and the Seller entered into the Agreement pursuant to which, (a) the Buyer agreed to buy, and the Seller agreed to sell, the Sale Interests for RMB250,000,000 (approximately HK\$285,000,000); and (b) the Buyer agreed to repay the Shareholder's Loan and the Interest to the Seller. The Acquisition was completed on 21 January 2010.

Before the completion of the Acquisition, the Target Company was 40% owned by the Seller, 30% owned by Zhongji Group and 30% owned by De He. Zhongji Group and De He are both indirectly wholly-owned by the Company. Upon completion of the Acquisition, the

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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Company indirectly wholly owns the Target Company, which, in turn, directly or indirectly, owns certain interests in the Target Group Companies and the Chang Zhi Dao Project as shown in the diagrams under the section headed “Shareholding Structures of the Target Group” in this circular.

The Target Company was and remains a subsidiary of the Company. As the Seller was a substantial shareholder of the Target Company before the completion of the Acquisition, the Seller was a connected person of the Company under the Listing Rules. Therefore, the Transactions constitute connected transactions of the Company under the Listing Rules. As the highest of all percentage ratios in respect of the Transactions is above 2.5% on an aggregate basis, the Transactions are subject to the requirements of reporting, announcement and independent shareholders’ approval of the Company under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Shareholders in relation to the Transactions. Hercules Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in relation to the Transactions.

The purpose of this circular is to provide, among other things, (i) further details about the Transactions; (ii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Shareholders in relation to the Transactions; and (iii) the recommendation of the Independent Board Committee to the Shareholders in relation to the Transactions.

### **THE AGREEMENT**

#### **Date**

6 January 2010

#### **Parties**

- (a) The Buyer, an indirect wholly-owned subsidiary of the Company, as buyer
- (b) The Seller, as seller

#### **Assets acquired**

Pursuant to the Agreement, the Buyer agreed to buy, and the Seller agreed to sell, the Sale Interests. Before the completion of the Acquisition, the Target Company was 40% owned by the Seller, 30% owned by Zhongji Group and 30% owned by De He. Zhongji Group and De He are both indirectly wholly-owned by the Company. Upon completion of the Acquisition, the Company indirectly wholly owns the Target Company, which, in turn, directly or indirectly, owns certain interests in the Target Group Companies and the Chang Zhi Dao Project as shown in the diagrams under the section headed “Shareholding Structures of the Target Group” in this circular.

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## LETTER FROM THE BOARD

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### Consideration

As the Seller is a state-controlled enterprise, the sale of equity interests or assets owned by the Seller has to go through the listing-for-sale (掛牌出讓) process according to PRC law. Pursuant to the MOU and the Framework Agreement, the Seller shall commence the listing-for-sale process at the Beijing Equity Exchange in relation to the sale of the Sale Interests and the Buyer shall submit to bid for the Sale Interests. As at the date of the announcement of the Company dated 11 January 2010 in respect of the Transactions, the Seller has completed the said listing-for-sale process and the Buyer has successfully bid for the Sale Interests.

The offer price (起始價) and the final price (成交價) for listing-for-sale of the Sale Interests have both been determined at RMB250,000,000 (approximately HK\$285,000,000). Pursuant to the Confirmation on Transfer of State-owned Equity (企業國有產權交易憑證) issued by the Beijing Equity Exchange, the Consideration shall be RMB250,000,000 (approximately HK\$285,000,000).

Pursuant to the Notice on Confirmation on Transferee (受讓資格確認通知書) issued by the Beijing Equity Exchange, on 4 January 2010, the Buyer paid the Auction Deposit. The Auction Deposit shall be used to settle against part of the Consideration and the Buyer shall settle the balance of the Consideration by a one-off payment within two (2) working days from the Effective Date. On 11 January 2010, the Buyer settled the balance of the Consideration which was financed by the Group's internal resources.

The Consideration was determined with reference to, among other things, the net asset value of the Target Company as at 31 July 2009 of RMB619,462,200 (approximately HK\$706,186,908) as appraised by a property valuer which is independent of and not a connected person of the Company.

The Directors (including the independent non-executive Directors) are of the opinion that the Consideration is fair and reasonable and was determined after the listing-for-sale process.

### Shareholder's Loan

The Buyer shall make a one-off repayment of the Shareholder's Loan and the Interest to the Seller within five (5) working days from the Effective Date.

Pursuant to the MOU and the Framework Agreement, the Buyer paid the Deposit in the amount of RMB5,000,000 (approximately HK\$5,700,000) and RMB15,000,000 (approximately HK\$17,100,000) to the Seller on 26 August 2009 and 16 November 2009, respectively. The Deposit and the interest in the amount of RMB3,245 (approximately HK\$3,699), calculated at the rate which is the same as the rate applicable to the Interest, accrued thereon from 6 January 2010 until the Effective Date shall be used to offset against part of the Shareholder's Loan and the Interest, respectively.

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## LETTER FROM THE BOARD

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On 7 January 2010, City Construction repaid the balance of the Shareholder's Loan in the amount of RMB187,744,110 (approximately HK\$214,028,285) and the balance of the Interest in the amount of RMB25,713,705 (approximately HK\$29,313,623) on behalf of the Buyer, resulting in the Buyer owing an aggregate amount of RMB213,457,815 (approximately HK\$243,341,909) to City Construction. Such amount owed by the Buyer to City Construction is not interest-bearing.

### **Conditions precedent and completion**

The completion of the Acquisition was conditional, and shall take place, upon the fulfillment of the following conditions:

- (a) the Seller having completed the listing-for-sale process at the Beijing Equity Exchange in respect of the Acquisition in accordance with the applicable laws, regulations and policies;
- (b) the Buyer having obtained the relevant approvals and authorisations in respect of the Acquisition in accordance with its articles of association and the applicable laws, including the approval on the change of shareholders of the Target Company from the competent industry and commerce authority in the PRC; and
- (c) the Buyer having made a one-off repayment of the Shareholder's Loan and the Interest to the Seller within five (5) working days from the Effective Date.

On 31 December 2009, the Seller completed the listing-for-sale process at the Beijing Equity Exchange in respect of the Acquisition. On 7 January 2010, the Shareholder's Loan and the Interest have been repaid to the Seller. The Acquisition was completed on 21 January 2010 when the relevant approvals and authorisations in respect of the Acquisition were obtained.

### **INFORMATION ABOUT THE GROUP, THE BUYER AND THE SELLER**

The Group is one of the leading residential property developers in the PRC and is principally engaged in developing quality residential properties targeting at middle to higher income residents in the PRC.

The Buyer is principally engaged in real estate development in Zhoushan City, Zhejiang Province, the PRC.

The Seller is principally engaged in real estate development and investment holding in the PRC.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE TARGET GROUP AND THE CHANG ZHI DAO PROJECT

The Target Company is a company incorporated in the PRC on 18 November 2004 as a sino-foreign equity joint venture by the Seller, Zhongji Group and De He. Before completion of the Acquisition, the Company indirectly owned 60% of the Target Company, through its wholly-owned subsidiaries, Zhongji Group and De He, and the Seller directly owned 40% of the Target Company. The registered capital of the Target Company is RMB100,000,000 (approximately HK\$114,000,000). The Seller, Zhongji Group and De He have contributed registered capital of RMB40,000,000 (approximately HK\$45,600,000), RMB30,000,000 (approximately HK\$34,200,000) and RMB30,000,000 (approximately HK\$34,200,000), respectively, to the Target Company. The Target Company is principally engaged in investment holding.

The Target Company owns certain interests in the Target Group Companies and the Chang Zhi Dao Project as shown in the diagrams under the section headed “Shareholding Structures of the Target Group” below.

As at the Latest Practicable Date:

- (a) the Target Company owned (i) 96.875% of City Construction; and (ii) 54% of Zhoushan Ruifeng and the Ruifeng Land; and
- (b) City Construction owned (i) 100% of Zhoushan Mingcheng, Zhoushan Qianyuan, the Mingcheng Land and the Qianyuan Land; (ii) 6% of Zhoushan Ruifeng and the Ruifeng Land; and (iii) 100% of the City Construction Land.

Each of the Target Company and the Target Group Companies was a subsidiary of the Company and remains a subsidiary of the Company after the Acquisition.

Each of the Target Group Companies is principally engaged in real estate development in Zhoushan City, Zhejiang province, the PRC.

The Chang Zhi Dao Project is primarily a residential property development project located at Lincheng New Area, Zhoushan City, Zhejiang province, the PRC, with a total site area of approximately 1,554,583 square metres. The Chang Zhi Dao Project comprises the City Construction Land, the Mingcheng Land and the Qianyuan Land which are under development, and the Ruifeng Land which is held for future development, and has been granted with the land use rights certificates.

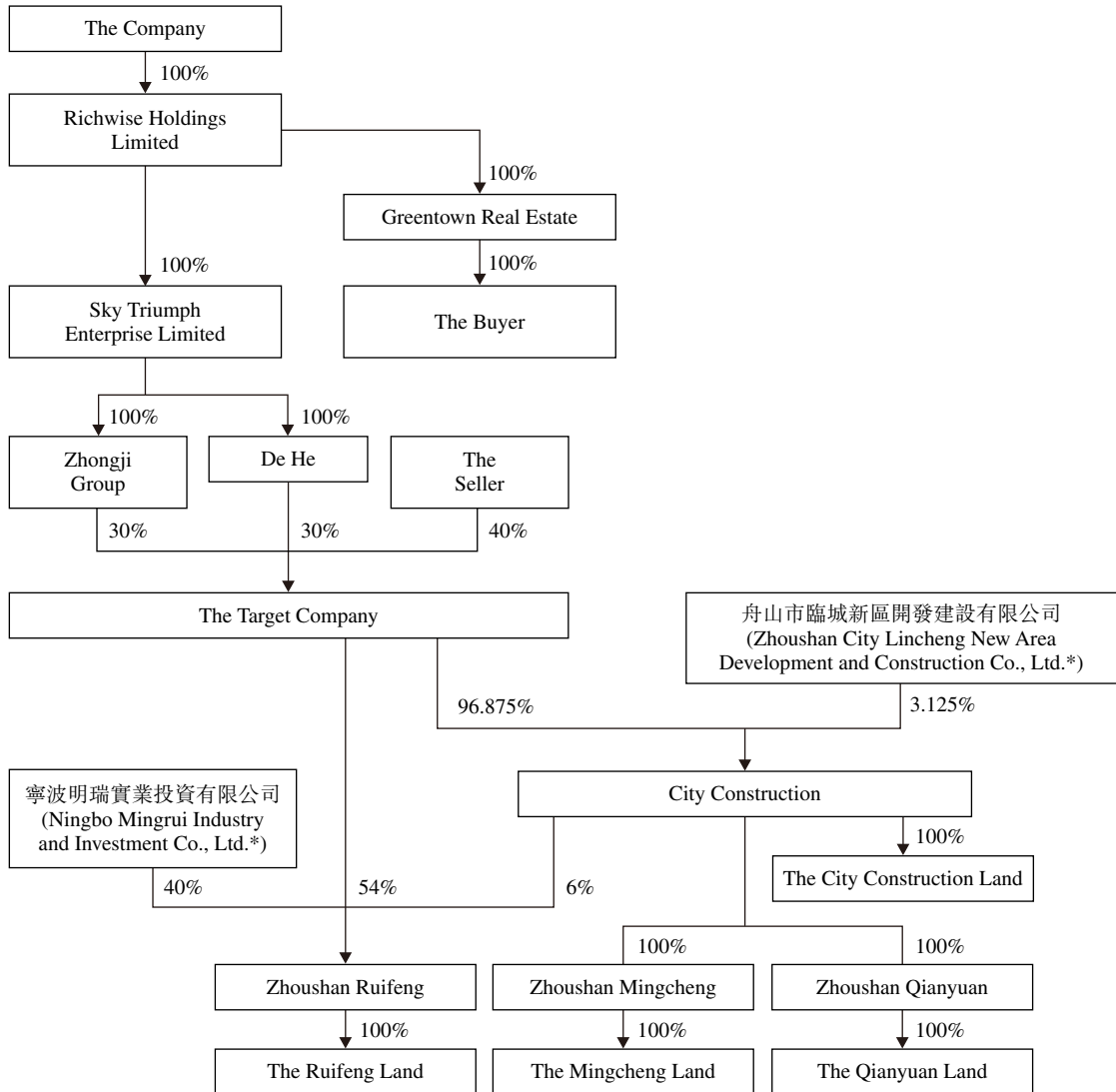
Save as disclosed in this circular, each of the Target Company and the Target Group Companies does not own any material fixed assets.

# LETTER FROM THE BOARD

## SHAREHOLDING STRUCTURES OF THE TARGET GROUP

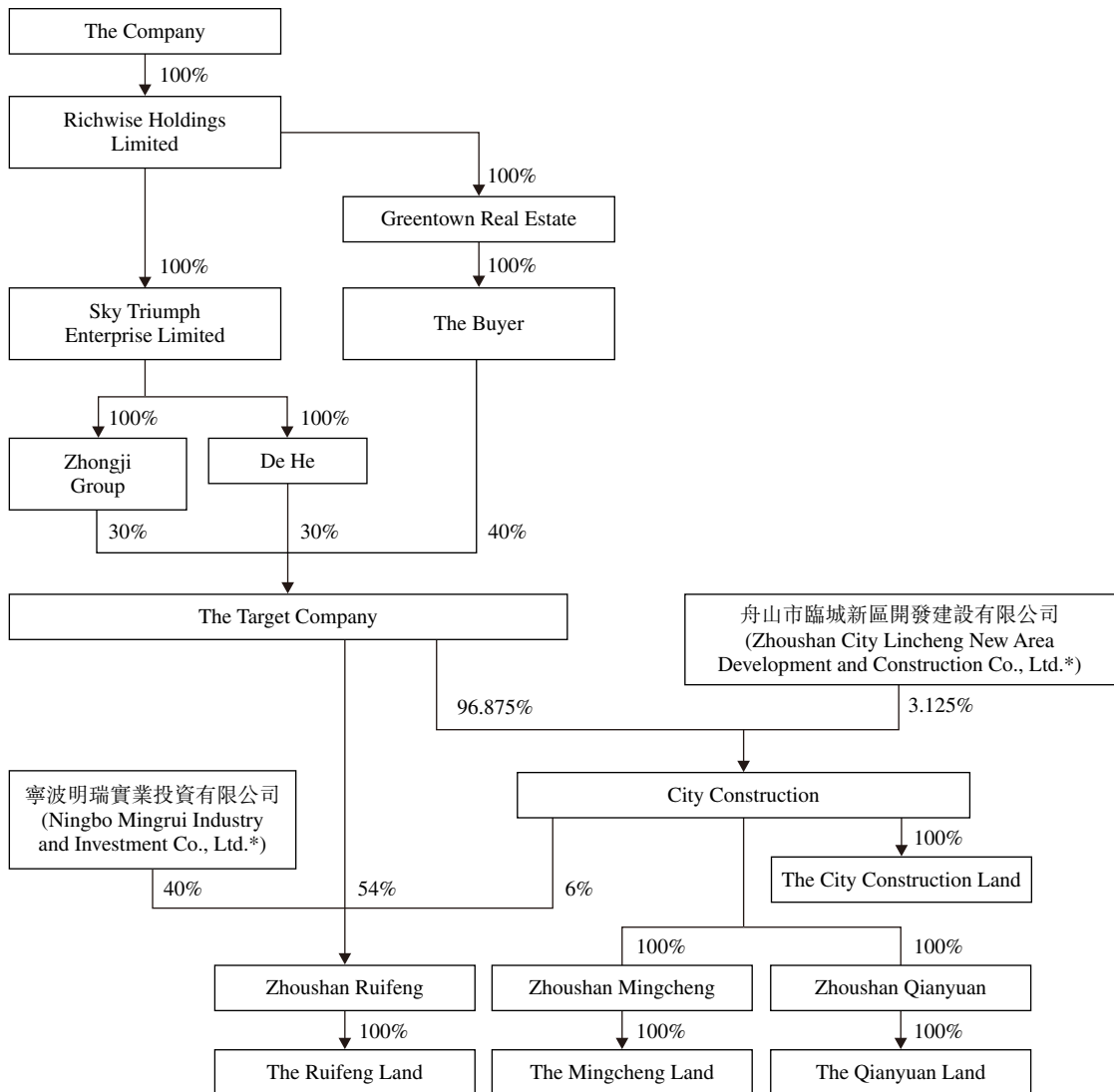
The following diagrams illustrate the shareholding structures of the Target Group (a) before the completion of the Acquisition and (b) immediately after the completion of the Acquisition.

### Before the completion of the Acquisition



# LETTER FROM THE BOARD

## Immediately after the completion of the Acquisition



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## LETTER FROM THE BOARD

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### FINANCIAL INFORMATION ON THE TARGET GROUP

The following table sets out certain consolidated financial information of the Target Group prepared in accordance with the PRC Generally Accepted Accounting Principles:

|                                | As at                    |                | As at                    |                | As at                   |                |
|--------------------------------|--------------------------|----------------|--------------------------|----------------|-------------------------|----------------|
|                                | 31 December 2007         |                | 31 December 2008         |                | 31 December 2009        |                |
|                                | (audited)                |                | (audited)                |                | (unaudited)             |                |
|                                | <i>RMB</i>               | <i>HK\$</i>    | <i>RMB</i>               | <i>HK\$</i>    | <i>RMB</i>              | <i>HK\$</i>    |
|                                | <i>million</i>           | <i>million</i> | <i>million</i>           | <i>million</i> | <i>million</i>          | <i>million</i> |
| Total assets/(liabilities)     | 798.0                    | 909.7          | 863.5                    | 984.4          | 1,044.4                 | 1,190.6        |
| Net assets/(liabilities)       | 100.2                    | 114.2          | 100.2                    | 114.2          | 100.2                   | 114.2          |
|                                | <b>For the financial</b> |                | <b>For the financial</b> |                | <b>For the 12-month</b> |                |
|                                | <b>year ended</b>        |                | <b>year ended</b>        |                | <b>period ended</b>     |                |
|                                | <b>31 December 2007</b>  |                | <b>31 December 2008</b>  |                | <b>31 December 2009</b> |                |
|                                | (audited)                |                | (audited)                |                | (unaudited)             |                |
|                                | <i>RMB</i>               | <i>HK\$</i>    | <i>RMB</i>               | <i>HK\$</i>    | <i>RMB</i>              | <i>HK\$</i>    |
|                                | <i>million</i>           | <i>million</i> | <i>million</i>           | <i>million</i> | <i>million</i>          | <i>million</i> |
| Attributable net profit/(Loss) |                          |                |                          |                |                         |                |
| before tax                     | Nil                      | Nil            | Nil                      | Nil            | Nil                     | Nil            |
| Attributable net profit/(loss) |                          |                |                          |                |                         |                |
| after tax                      | Nil                      | Nil            | Nil                      | Nil            | Nil                     | Nil            |

### REASONS FOR THE ACQUISITION

The Company indirectly owned 60% of the Target Company before the completion of the Acquisition. Upon completion of the Acquisition, the Company indirectly wholly owns the Target Company. This allows the Company to further participate in real estate development in Zhoushan City, Zhejiang province, the PRC which the Directors consider to have continued growth potential in the future. The Directors are optimistic about the prospect of the property market in Zhoushan City, Zhejiang province, the PRC.

The Directors (including the independent non-executive Directors) are of the opinion that the Agreement and the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The completion of the Acquisition did not have any material change to the assets and liabilities of the Group.

### IMPLICATIONS UNDER THE LISTING RULES

The Target Company was and remains a subsidiary of the Company. As the Seller was a substantial shareholder of the Target Company before the completion of the Acquisition, the Seller was a connected person of the Company under the Listing Rules. Therefore, the Transactions constitute connected transactions of the Company under the Listing Rules. As the highest of all percentage ratios in respect of the Transactions is above 2.5% on an aggregate basis, the Transactions are subject to the requirements of reporting, announcement and independent shareholders' approval of the Company under Chapter 14A of the Listing Rules.



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## LETTER FROM THE BOARD

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The Company has obtained from the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules a waiver from the requirement to hold a general meeting of the Shareholders and permission for the independent shareholders' approval of the Transactions to be given in writing on the basis that (i) no Shareholder is required to abstain from voting if the Company were to convene a shareholders' meeting to approve the Transactions; and (ii) a written shareholders' approval has been obtained from Delta House Limited, Wisearn Limited and Profitwise Limited, being a closely allied group of Shareholders, which hold 442,124,000 Shares, 68,859,000 Shares and 384,490,500 Shares respectively, representing an aggregate of approximately 54.08% of the issued share capital of the Company giving the right to attend and vote at the shareholders' meeting as at the Latest Practicable Date, to approve the Transactions. Delta House Limited, Wisearn Limited and Profitwise Limited are wholly-owned by Mr Song Weiping, his spouse, Ms Xia Yibo and Mr Shou Bainian respectively, who are parties acting in concert pursuant to a concert party agreement dated 26 November 2005.

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 16 of this circular which contains its recommendation to the Shareholders in relation to the Transactions. Your attention is also drawn to the letter of advice from Hercules Capital set out on pages 17 to 26 of this circular which contains its advice to the Independent Board Committee and the Shareholders in relation to the Transactions and the principal factors and reasons considered by it in formulating its advice.

The Independent Board Committee, after taking into account the advice of Independent Financial Adviser, is of the opinion that the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices of this circular.

By Order of the Board  
**Greentown China Holdings Limited**  
**Song Weiping**  
*Chairman*



**GREENTOWN CHINA HOLDINGS LIMITED**

**綠城中國控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3900)**

24 February 2010

*To the Shareholders and, for information only,  
the Note Holders and the Option Holders*

Dear Sir or Madam,

**CONNECTED TRANSACTIONS**

We refer to the circular of the Company to the Shareholders dated 24 February 2010 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Shareholders on whether the Transactions are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

We wish to draw your attention to the letter of advice from Hercules Capital, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Shareholders in relation to the Transactions, as set out on pages 17 to 26 of the Circular and the letter from the Board set out on pages 7 to 15 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of, Hercules Capital as stated in its letter of advice, we consider that the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Yours faithfully,  
**The Independent Board Committee of  
Greentown China Holdings Limited**  
**Mr Jia Shenghua**  
**Mr Jiang Wei**  
**Mr Sze Tsai Ping, Michael**  
**Mr Tsui Yiu Wa, Alec**  
**Mr Tang Shiding**  
**Mr Ke Huanzhang**  
*Independent non-executive Directors*

\* *For identification purposes only*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of the letter of advice from Hercules Capital, the Independent Financial Adviser to the Independent Board Committee and Shareholders, in respect of the Transactions, which has been prepared for the purpose of incorporation in this circular.*

### ***Hercules*** **Hercules Capital Limited**

1503 Ruttonjee House  
11 Duddell Street  
Central  
Hong Kong

24 February 2010

*To the Independent Board Committee  
and the Shareholders*

Dear Sirs,

### **CONNECTED TRANSACTIONS**

#### **1. INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Shareholders with respect to the Transactions, details of which are set out in the letter from the Board contained in the circular dated 24 February 2010 to the Shareholders (the “Circular”), of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

On 6 January 2010, the Buyer and the Seller entered into the Agreement, pursuant to which, (a) the Buyer, an indirect wholly-owned subsidiary of the Company, agreed to buy, and the Seller agreed to sell, the Sale Interests for the Consideration of RMB250.0 million (equivalent to approximately HK\$285.0 million); and (b) the Buyer agreed to repay the Shareholder’s Loan and the Interest to the Seller. The Acquisition was completed on 21 January 2010.

As at the date of the Agreement, the Target Company was owned as to 40% by the Seller and 60% by the Group. As the Seller was a substantial shareholder of the Target Company, the Seller was a connected person of the Company under the Listing Rules and thus the Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Since the relevant percentage ratios defined in Rule 14.07 of the Listing Rules in respect of the Transactions are more than 2.5% on an aggregate basis, the Transactions are subject to the requirements of reporting, announcement and independent shareholders’ approval under Chapter 14A of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On the basis that (i) no Shareholders are required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Transactions; and (ii) Delta House Limited, Wisearn Limited and Profitwise Limited, which collectively held approximately 54.08% of the issued share capital of the Company as at the Latest Practicable Date, have approved the Transactions in writing, the Company has applied to, and obtained from, the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules a waiver from the requirement to hold a general meeting of the Shareholders to approve the Transactions.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Jia Shenghua, Mr Jiang Wei, Mr. Sze Tsai Ping, Michael, Mr. Tsui Yiu Wa, Alec, Mr. Tang Shiding and Mr. Ke Huanzhang, has been established to advise the Shareholders in relation to the Transactions. We, Hercules Capital Limited, have been appointed to advise the Independent Board Committee and the Shareholders in connection with the Transactions, in particular as to whether the terms of the Agreement are fair and reasonable and on normal commercial terms so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

### **2. BASIS OF OUR OPINION**

In formulating our opinion and recommendations, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and that they may be relied upon in formulating our opinion. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We also consider that we have taken all reasonable steps as required under Rule 13.80 of the Listing Rules to ascertain the reliability of the information provided to us and to form our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion and that we do not have any obligation to update, revise or reaffirm this opinion.

### **3. PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion regarding the Transactions, we have considered the following principal factors and reasons:

#### **3.1 Background and Reasons for the Transactions**

The Group is one of the leading residential property developers in the PRC and is principally engaged in developing quality residential properties targeting at middle to higher income residents in the PRC. According to the interim report of the Company for the six months ended 30 June 2009 (the “2009 Interim Report”), as at 31 August 2009, the Group had a land bank comprising over 19 million square metres of saleable and property held-for-operation area and had interest in over 70 property projects in the PRC, some of which are wholly-owned by the Group while the others, including, among others, the Chang Zhi Dao Project, are co-invested by the Group and other co-investors or joint venture partners. Over 63% of the lands owned by the Group are located in Zhejiang Province of the PRC.

The Target Group is principally engaged in the business of real estate development in Zhoushan City, Zhejiang Province, the PRC. The Chang Zhi Dao Project is a residential property development project located at Lincheng New Area, Zhoushan City, Zhejiang Province, the PRC with a total site area of approximately 1,554,583 square metres. The Chang Zhi Dao Project comprises the City Construction Land, the Mingcheng Land and the Qianyuan Land, which are under development, and the Ruifeng Land, which is held for future development and has been granted with the land use right certificates.

We understand from the management of the Company that it has been a long term strategy of the Group to streamline the operations of those property projects co-invested by the Group with co-investors or joint venture partners by re-aligning shareholding interests in those projects. The 2009 Interim Report also indicated that the Group would focus its land bank expansion mainly in Zhejiang, Yangtze River Delta Region and Bohai Rim Region. Given the increasing demand for quality residential property in the PRC and the limited land supply in Zhoushan, the Directors are optimistic about the prospect of the property market in Zhoushan, the PRC and the future development of the Target Group. The Directors consider that the Acquisition shall enable the Group to have full control over the Target Company and further participate in the Chang Zhi Dao Project and the project development in Zhoushan, the PRC.

According to the management of the Company, the Seller provided shareholder’s loans to the Target Company from time to time. As the Seller would no longer be a shareholder of the Target Company after completion of the Acquisition, the Seller requested for full settlement of the Shareholder’s Loan and the Interest by the Buyer within five working days from the Effective Date. Pursuant to the MOU and the Framework Agreement, the Buyer paid the Deposit, which was used to offset against part of the Shareholder’s Loan and the Interest, in the amount of RMB5.0 million and RMB15.0 million to the Seller on 26 August 2009 and 16 November 2009 respectively. The balance of the Shareholder’s Loan and the Interest in aggregate amount of

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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approximately RMB213.5 million was settled by the Group on 7 January 2010 in accordance with the Agreement.

Having considered that (i) the Acquisition shall enable the Group to secure its influence and control over the Target Company and facilitate an efficient and effective management of the Chang Zhi Dao Project; (ii) the Acquisition shall increase the land bank attributable to the Group in the area focused by the Group for its future development; (iii) the Seller would cease to be a shareholder of the Target Company after completion of the Acquisition and thus it is fair and reasonable for the Group to repay the outstanding shareholder's loan owed by the Target Company to the Seller as the Target Company will be wholly-owned by the Group after the Acquisition; and (iv) the settlement of the Shareholder's Loan and the Interest is one of the conditions for the completion of the Acquisition, we concur with the view of the management of the Company that the Acquisition is in line with the business strategy of the Group and the Transactions are in the interest of the Company and the Shareholders as a whole.

### **3.2 Information on the Target Group and the Chang Zhi Dao Project**

The Target Company was incorporated in the PRC on 18 November 2004 as a sino-foreign equity joint venture by the Seller, Zhongji Group and De He. Before the completion of the Acquisition, the Target Company was owned as to 60% by the Company through its wholly-owned subsidiaries, namely Zhongji Group and De He and 40% by the Seller. The registered capital of the Target Company is RMB100.0 million, of which RMB40.0 million was contributed by the Seller, RMB30.0 million was contributed by Zhongji Group and RMB30.0 million was contributed by De He.

As at the Latest Practicable Date, the Target Company owned 54% equity interest in Zhoushan Ruifeng, which owned the entire interest in the Ruifeng Land, and 96.875% equity interest in City Construction. City Construction owned (i) the entire equity interest in Zhoushan Mingcheng and Zhoushan Qianyuan, which owned the entire interest in the Mingcheng Land and the Qianyuan Land respectively; (ii) 6% equity interest in Zhoushan Ruifeng; and (iii) the entire interest in the City Construction Land.

The Target Group is principally engaged in the business of real estate development in Zhoushan City, Zhejiang Province, the PRC. The Chang Zhi Dao Project is a residential property development project located at Lincheng New Area, Zhoushan City, Zhejiang Province, the PRC with a total site area of approximately 1,554,583 square metres. The Chang Zhi Dao Project comprises the City Construction Land, the Mingcheng Land and the Qianyuan Land, which are under development, and the Ruifeng Land, which is held for future development and has been granted with the land use right certificates. According to the development scheme advised by the management of the Company, the Chang Zhi Dao Project will be developed into a residential community with residential villas, high-rise and low-rise apartments, commercial buildings and a hotel by 21 phases scheduled for completion between December 2011 and December 2019. The development of Phase I of the Chang Zhi Dao Project has been commenced in December 2009.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The consolidated financial information of the Target Group, which has been prepared in accordance with the PRC Generally Accepted Accounting Principles, for the three years ended 31 December 2009 is summarized as follows:

**Table 1: Financial summary of the Target Group**

|  | For the year ended<br>31 December 2007<br>(audited) |                | For the year ended<br>31 December 2008<br>(audited) |                | For the year ended<br>31 December 2009<br>(unaudited) |                |
|--|---|----------------|---|----------------|---|----------------|
|  | <i>RMB</i>  | <i>HK\$</i>    | <i>RMB</i>  | <i>HK\$</i>    | <i>RMB</i>  | <i>HK\$</i>    |
|  | <i>million</i>                                      | <i>million</i> | <i>million</i>                                      | <i>million</i> | <i>million</i>  | <i>million</i> |
| Revenue                                      | -   | -              | -   | -              | -   | -              |
| Profit/(loss) before and<br>after tax        | -   | -              | -   | -              | -   | -              |
|  | As at<br>31 December 2007<br>(audited)              |                | As at<br>31 December 2008<br>(audited)              |                | As at<br>31 December 2009<br>(unaudited)              |                |
|  | <i>RMB</i>  | <i>HK\$</i>    | <i>RMB</i>  | <i>HK\$</i>    | <i>RMB</i>  | <i>HK\$</i>    |
|  | <i>million</i>                                      | <i>million</i> | <i>million</i>                                      | <i>million</i> | <i>million</i>  | <i>million</i> |
| Total assets                                 | 798.0   | 909.7          | 863.5   | 984.4          | 1,044.4   | 1,190.6        |
| Total liabilities                            | 690.8   | 787.5          | 754.3   | 859.9          | 935.2   | 1,066.1        |
| Net assets attributable to                   |   |                |   |                |   |                |
| – equity holders of<br>the Target<br>Company | 100.2   | 114.2          | 100.2   | 114.2          | 100.2   | 114.2          |
| – minority interests                         | 7.0   | 8.0            | 9.0   | 10.3           | 9.0   | 10.3           |
|  | 107.2   | 122.2          | 109.2   | 124.5          | 109.2   | 124.5          |

Save for the purchases of lands and commencement of construction works of the Phase I of the Chang Zhi Dao Project, the Target Group has not conducted any material business. Accordingly, no revenues and expenses were recorded during the periods under review, save for the expenses of the Chang Zhi Dao Project which were recorded as non-current assets of the Target Group under deferred expenses. As at 31 December 2009, the Target Group had total assets of approximately RMB1,044.4 million, of which approximately RMB55.2 million was non-current assets, including deferred expenses of approximately RMB53.1 million and fixed assets of approximately RMB2.1 million, and approximately RMB989.2 million was current assets, which mainly consisted of inventories of approximately RMB949.2 million, prepayments of approximately

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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RMB31.5 million and cash and bank balances of approximately RMB8.4 million. As at 31 December 2009, the total liabilities of the Target Group amounted to approximately RMB935.2 million, of which approximately RMB914.6 million was other payables (including the Shareholder's Loan and accrued interest of approximately RMB233.2 million) and RMB20.0 million was short-term borrowings. The net asset value of the Target Group attributable to the equity holders of the Target Company as at 31 December 2009 amounted to approximately RMB100.2 million.

Pursuant to the valuation report dated 24 February 2010 (the "Valuation Report") prepared by DTZ, an independent professional valuer, the total value of the properties of the Chang Zhi Dao Project amounted to RMB3,300.0 million as at 31 December 2009. We have reviewed the Valuation Report and noted that DTZ has adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and has also taken into account the expended construction costs and the costs that would be expended to complete the development to reflect the quality of the completed development. We were also advised by DTZ that such approach is a generally accepted valuation approach in determining the value of a development site and it is in compliance with the standards and guidelines set out in The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors. Given the valuation methodology applied by DTZ is normal and usual among professional property valuers and in compliance with the standards published by The Hong Kong Institute of Surveyors, we consider that the methodology adopted in their valuation is appropriate and such valuation is a valid and meaningful reference for the value of the Chang Zhi Dao Project.

Based on the consolidated management accounts of the Target Group, the book value of the Chang Zhi Dao Project amounted to approximately RMB792.8 million as at 31 December 2009. Had the hypothetical revaluation surplus on the Chang Zhi Dao Project of approximately RMB2,507.2 million, being the difference between the revalued amount of RMB3,300.0 million and the book value of the Chang Zhi Dao Project of RMB792.8 million, been taken into account, the adjusted consolidated net assets value of the Target Group would be amounted to approximately RMB2,616.4 million and the adjusted consolidated net assets value of the Target Group attributable to the equity holders of the Target Company, after deducting the value attributable to the minority interest of approximately RMB406.8 million, would be amounted to approximately RMB2,209.6 million. Accordingly, the adjusted consolidated net assets value attributable to the Sale Interests would be amounted to approximately RMB883.8 million. We have discussed with the management of the Company regarding the calculations of the adjusted consolidated net assets value of the Target Group attributable to the equity holders of the Target Company and were satisfied with the basis of such calculations.

### **3.3 Overview of the real estate market in Zhoushan City, the PRC**

Zhoushan is located in Zhejiang Province, the PRC and has a total area of approximately 22,000 square kilometres and a population of 967,700 as of December 2008. The gross domestic product of Zhoushan for the nine months ended 30 September 2009 was approximately RMB35.9 billion, representing an increase of approximately 10.2% over the previous corresponding period.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Following the introduction of various preferential policies, such as tax breaks for certain housing transactions, the lowering of mortgage rates for the first-time home purchasers and encouraging measures for banks to provide mortgages, by the PRC Government in late 2008, the real estate market in Zhoushan rebounded in 2009. According to the information released in the Official Website of Zhoushan hosted by the People's Government of Zhoushan City, the total gross floor area of residential units sold in Zhoushan for the ten months ended 31 October 2009 reached approximately 1.36 million square metres, representing a significant growth of approximately 1.2 times over the previous corresponding period. In addition, the average transaction price of residential units in Zhoushan has recorded a continuous growth since April 2009. The average transaction price of residential units in Zhoushan in October 2009 was appropriately 2.5% higher than that of the previous month and approximately 9.4% above the average price of October 2008. In August 2009, the number of residential units sold in Zhoushan was around 1,180 units, representing an increase of approximately 86.1% as compared to the last corresponding period.

In view of the soaring housing prices, the PRC Government has implemented various measures to maintain order in the PRC's property market and curb speculative purchases of housing. The PRC Government announced in December 2009 that starting from 2010, sales of homes by individuals will be exempt from tax only after at least five years of ownership. Chinese Premier Wen Jiabao also indicated in his interview with Xinhua News Agency in December 2009 that the government would stabilize real estate prices with economic tools of taxes, interest rates and land policies.

Given that the real estate market sentiment has improved notably following the PRC Government's economic stimulus measures and the PRC Government has already taken active measures in improving and controlling the real estate market, we concur with the view of the management of the Company that the real estate market in the PRC shall be maintained in good order and the prospects of real estate market in Zhoushan shall remain positive in the foreseeable future as long as the economic growth in the PRC is sustained.

### **3.4 Consideration of the Acquisition**

The Consideration is RMB250.0 million, being the offer price and the final price for listing-for-sale of the Sale Interests, of which RMB75.0 million was paid as the Auction Deposit, which was used to settle against part of the Consideration, on 5 January 2010 while the remaining balance was settled on 11 January 2010, being the second working day from the Effective Date.

According to the Directors, the Consideration was determined with reference to, among other things, the net asset value of the Target Company as at 31 July 2009 of approximately RMB619.5 million as appraised by an independent property valuer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In forming our opinion on the Consideration for the Acquisition, we have considered the following comparable approaches, namely price-to-earning approach, dividend approach and net asset approach, which are commonly adopted in evaluation of a company.

### *Price-to-earning Approach*

As no profits or losses were recognized by the Target Group for the year ended 31 December 2009, being the latest financial year of the Target Group, we consider that the price-to-earning approach is not applicable for assessing the value of the Target Group.

### *Dividend Approach*

Neither the Target Company nor any of the Target Group Companies has declared any dividend to its shareholders for the three years ended 31 December 2009. As such, there are no bases to assess the Consideration based on historical dividend yield of the Target Company or the Target Group Companies, and the dividend approach is not applicable for this case.

### *Net Asset Approach*

The net asset value of the Target Group attributable to the equity holders of the Target Company as at 31 December 2009 amounted to approximately RMB100.2 million (equivalent to approximately HK\$114.2 million). For comparison purposes, we have considered all the companies which (a) are currently listed on the Main Board of the Stock Exchange; (b) are principally engaged in property development in the PRC; and (c) had a net asset value within HK\$228.4 million, which is approximately 100% above and below the net assets value of the Target Group attributable to the equity holders of the Target Company, as disclosed in the latest published accounts. On this basis and to our best knowledge, we have identified only one comparable company. Due to the limitation of the sample size, we consider that a meaningful and conclusive analysis cannot be derived from such data and therefore the net asset approach is not applicable for this case as well.

Having considered that the Consideration represents a significant discount of approximately 71.7% to the hypothetical net asset value of the Target Group attributable to the Sale Interests of approximately RMB883.8 million, which represents the market value of the net assets of the Target Group, we consider that the Consideration is fair and reasonable to the Company and the Shareholders as a whole and on normal commercial terms.

### **3.5 Financial effects of the Transactions**

*(a) Earnings*

As the Target Group is an indirect subsidiary of the Company, its results were consolidated into the accounts of the Group even before the Acquisition. Therefore, the Acquisition would not have any significant impact on the profit or loss of the Group. However, the profit or loss attributable to equity holders of the Company shall be affected by the results of the Target Group to a larger extent in the future as the Group's equity interest in the Target Group has increased to 100% after the Acquisition.

*(b) Cashflow*

Pursuant to the MOU and the Framework Agreement, the Buyer paid the Deposit in the amount of RMB5.0 million and RMB15.0 million to the Seller on 26 August 2009 and 16 November 2009 respectively. The balances of the Shareholder's Loan and the Interest in the amount of approximately RMB187.8 million and approximately RMB25.7 million respectively were settled by the Group on 7 January 2010. Accordingly, there was a total cash outflow of approximately RMB233.5 million in respect of the payment of the Deposit and the repayment of the Shareholder's Loan and the Interest.

The total Consideration of the Acquisition is RMB250.0 million. Pursuant to the Notice on Confirmation on Transferee issued by the Beijing Equity Exchange, the Buyer paid the Auction Deposit, being part of the Consideration, of RMB75.0 million on 5 January 2010 and the remaining balance of the Consideration of RMB175.0 million was settled by the Group on 11 January 2010. Therefore, there was a total cash outflow of RMB250.0 million in respect of the Acquisition.

*(c) Net Asset Value*

The Acquisition would decrease the total assets of the Group while the payment of Deposit and repayment of the Shareholder's Loan and the Interest would decrease the total assets and total liabilities of the Group by the same amount. Therefore, the net asset value of the Group would reduce as a result of the Transactions. However, taking into consideration of the decrease in minority interest resulted from the Acquisition, the Transactions would not have any significant impact on the consolidated net asset value attributable to the Shareholders.

*(d) Gearing Ratio*

As the total assets of the Group would decrease in a larger extent than the total liabilities of the Group, the gearing ratio of the Group, as expressed in the ratio of total liabilities to total assets, would increase as a result of the Transactions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Concluding from the above, the Transactions would have a negative impact on the Group's cashflow and gearing ratio. However, having considered the future prospect of the Chang Zhi Dao Project and the aforementioned overall benefits which the Transactions would likely to bring to the Group, we consider that the short-term negative impact of the Transactions on the Group's cashflow and gearing ratio is justifiable.

#### 4. RECOMMENDATION

Having considered the principal factors and reasons described in the previous sections, we are of the view that the Transactions are on normal commercial terms and they are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Yours faithfully,

For and on behalf of

**Hercules Capital Limited**

**Louis Koo**

*Managing Director*

**Amilia Tsang**

*Director*

*The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of value of the Chang Zhi Dao Project as at 31 December 2009.*



16th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

The Directors  
Greentown China Holdings Limited  
Huanglong Centry Plaza,  
No. 1 Hangda Road,  
Hangzhou,  
Zhejiang Province,  
The PRC

24 February 2010

Dear Sirs,

**Re: Portfolio Valuation**

#### **Instructions, Purpose and Date of Valuation**

In accordance with your instructions for us to value various properties (as per the “Summary of Valuations” attached below) held by Greentown China Holdings Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market value of the property as at 31 December 2009 (the “date of valuation”).

#### **Valuation Standards and Definition of Market Value**

In valuing the properties, we have complied with the requirement set out in The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuations of the properties represent our opinion of its Market Value which in accordance with The HKIS Valuation Standards is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

### **Valuation Basis and Assumption**

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing the properties which are situated in the PRC, we have assumed that transferable land use rights in respect of the properties for the specific land use term at nominal annual land use fee have been granted and that any premium has already been fully settled. We have relied on the advice given by the Group regarding the title to the properties and have valued the entire interest of the properties.

In valuing the properties, we have assumed that the grantee of the properties have free and uninterrupted rights to use or to assign the property for the whole of the unexpired term as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor any expenses which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

### **Method of Valuation**

In valuing the properties in Group I and II which are held under development and held for future development respectively in the PRC, we have valued them on the basis that the properties will be developed and completed in accordance with the Group's latest development proposals provided to us. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development. The "capital value when completed of the proposed development" represents our opinion of the aggregate selling price of the property assuming that it would have been completed at the date of valuation.

### **Source of Information**

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its PRC legal advisor, Zhe Jiang T & C Law Firm, in respect of the property in the PRC and have accepted advice given by the Group on such matters as planning approvals or statutory notices, tenure, identification of land and buildings, scheduled completion date of development, number of car parking spaces, particulars of occupancy, development schemes, construction costs, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in the attached valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reasons to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

### **Site Inspection**

We have inspected the properties. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No test was carried out on any of the services. Unless

otherwise stated, we have not been able to carry out detailed on-site measurement to verify the site and gross floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct.

### Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi (RMB), the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,  
For and on behalf of  
**DTZ Debenham Tie Leung Limited**  
**Andrew K. F. Chan**  
Registered Professional Surveyor (GP)  
China Real Estate Appraiser  
*R.P.S.(GP), MSc., M.H.K.I.S., M.R.I.C.S.*  
*Director*

*Note:* Mr. Andrew Chan is a Registered Professional Surveyor who has over 22 years of experience in the valuation of properties in the PRC and Hong Kong.



## SUMMARY OF VALUATIONS

| <b>Property</b>   | <b>Capital value in<br/>existing state as at<br/>31 December 2009<br/>RMB</b> |
|---|---|
| <b>Group I – Property held under development in the PRC</b>   |   |
| 1. Four pieces of land with land no. LZ-CZ-01, LZ-CZ-05,<br>LZ-CZ-08 and LZ-CZ-09 located in<br>Changzhi Island,<br>Dinghai District,<br>Zhoushan City,<br>Zhejiang Province,<br>the PRC<br><br>中華人民共和國<br>浙江省舟山市<br>定海區長峙島<br>LZ-CZ-01,<br>LZ-CZ-05,<br>LZ-CZ-08及<br>LZ-CZ-09號地塊 | 2,200,000,000   |
| <b>Group II – Property held for future development in the PRC</b>   |   |
| 2. Three pieces of land with land no. LZ-CZ-02, LZ-CZ-03<br>and LZ-CZ-04 located in<br>Changzhi Island,<br>Dinghai District,<br>Zhoushan City,<br>Zhejiang Province,<br>the PRC<br><br>中華人民共和國<br>浙江省舟山市<br>定海區長峙島<br>LZ-CZ-02,<br>LZ-CZ-03及<br>LZ-CZ-04號地塊                       | 1,100,000,000   |
| <b>Grand Total:</b>   | <b>3,300,000,000</b>  |

## VALUATION CERTIFICATE

## Group I – Property held under development in the PRC

| Property  | Description and tenure  | Particulars of occupancy                              | Capital value in existing state as at 31 December 2009 |             |         |       |         |       |        |        |        |            |        |            |       |                      |     |                                 |         |               |                  |  |  |
|---|---|---|--|-------------|---------|-------|---------|-------|--------|--------|--------|------------|--------|------------|-------|----------------------|-----|---------------------------------|---------|---------------|------------------|--|--|
| 1. Four pieces of land with land no. LZ-CZ-01, LZ-CZ-05, LZ-CZ-08 and LZ-CZ-09 located in Changzhi Island, Dinghai District, Zhoushan City, Zhejiang Province, the PRC<br><br>中華人民共和國<br>浙江省舟山市<br>定海區長峙島<br>LZ-CZ-01,<br>LZ-CZ-05,<br>LZ-CZ-08及<br>LZ-CZ-09號地塊 | The property comprises four pieces of land with a total site area of approximately 1,114,123.25 sq.m. ( <i>Note 2</i> )<br><br>The property is planned to be developed into a large scale comprehensive development including residential, hotel, office, commercial, and other ancillary facilities with a total gross floor area of approximately 1,461,423 sq.m.<br><br>As advised by the Group, the details of the development scheme are summarized as follows:  | The property is currently under site formation works. | RMB2,200,000,000                                       |             |         |       |         |       |        |        |        |            |        |            |       |                      |     |                                 |         |               |                  |  |  |
|   | <table border="1"> <thead> <tr> <th>Use</th> <th>GFA<br/>(sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>830,342</td> </tr> <tr> <td>Villa</td> <td>124,482</td> </tr> <tr> <td>Hotel</td> <td>25,000</td> </tr> <tr> <td>Office</td> <td>33,122</td> </tr> <tr> <td>Commercial</td> <td>65,622</td> </tr> <tr> <td>Club house</td> <td>1,300</td> </tr> <tr> <td>Ancillary facilities</td> <td>700</td> </tr> <tr> <td>Basement carpark and facilities</td> <td>380,855</td> </tr> <tr> <td><b>Total:</b></td> <td><b>1,461,423</b></td> </tr> </tbody> </table> | Use   | GFA<br>(sq.m.)   | Residential | 830,342 | Villa | 124,482 | Hotel | 25,000 | Office | 33,122 | Commercial | 65,622 | Club house | 1,300 | Ancillary facilities | 700 | Basement carpark and facilities | 380,855 | <b>Total:</b> | <b>1,461,423</b> |  |  |
| Use   | GFA<br>(sq.m.)  |   |  |             |         |       |         |       |        |        |        |            |        |            |       |                      |     |                                 |         |               |                  |  |  |
| Residential   | 830,342   |   |  |             |         |       |         |       |        |        |        |            |        |            |       |                      |     |                                 |         |               |                  |  |  |
| Villa   | 124,482   |   |  |             |         |       |         |       |        |        |        |            |        |            |       |                      |     |                                 |         |               |                  |  |  |
| Hotel   | 25,000  |   |  |             |         |       |         |       |        |        |        |            |        |            |       |                      |     |                                 |         |               |                  |  |  |
| Office  | 33,122  |   |  |             |         |       |         |       |        |        |        |            |        |            |       |                      |     |                                 |         |               |                  |  |  |
| Commercial  | 65,622  |   |  |             |         |       |         |       |        |        |        |            |        |            |       |                      |     |                                 |         |               |                  |  |  |
| Club house  | 1,300   |   |  |             |         |       |         |       |        |        |        |            |        |            |       |                      |     |                                 |         |               |                  |  |  |
| Ancillary facilities  | 700   |   |  |             |         |       |         |       |        |        |        |            |        |            |       |                      |     |                                 |         |               |                  |  |  |
| Basement carpark and facilities   | 380,855   |   |  |             |         |       |         |       |        |        |        |            |        |            |       |                      |     |                                 |         |               |                  |  |  |
| <b>Total:</b>   | <b>1,461,423</b>  |   |  |             |         |       |         |       |        |        |        |            |        |            |       |                      |     |                                 |         |               |                  |  |  |
|   | As advised by the Group, the property will be completed by phase between 2011 and 2019.<br><br>The land use rights of the property have been granted to the Group for a term of 70 years expiring between 28 April 2075 and 29 February 2076 for residential use.   |   |  |             |         |       |         |       |        |        |        |            |        |            |       |                      |     |                                 |         |               |                  |  |  |

*Notes:*

- (1) According to 4 Grant Contracts for State-owned Land Use Rights entered into between Zhoushan Municipal Land Resources Bureau and the Group, Zhoushan Municipal Land Resources Bureau has agreed to grant the land use rights to various parties with details as follows:

| Contract No. | Land No. | Site Area<br>(sq.m.) | Land Use Term                | Plot Ratio | Land Grantee   |
|--------------|----------|----------------------|------------------------------|------------|--|
| (2005) 32    | LZ-CZ-01 | 513,062*             | 70 years for residential use | 2.5        | Urban Construction Zhongji (Zhejiang) Industrial and Development Co., Ltd.<br>(城建中稷(浙江)實業發展有限公司) |

| Contract No. | Land No. | Site Area<br>(sq.m.) | Land Use Term                | Plot Ratio | Land Grantee   |
|--------------|----------|----------------------|------------------------------|------------|--|
| (2006) 06    | LZ-CZ-05 | 165,119              | 70 years for residential use | 2.0        | Zhoushan Qianyuan Real Estate Development Co., Ltd.<br>(舟山市乾源房地產開發有限公司)  |
| (2006) 07    | LZ-CZ-09 | 203,945              | 70 years for residential use | 1.0        | Zhoushan Mingcheng Real Estate Development Co., Ltd.<br>(舟山市明程房地產開發有限公司) |
| (2006) 35    | LZ-CZ-08 | 205,595              | 70 years for residential use | 1.5        | Zhoushan Mingcheng Real Estate Development Co., Ltd.<br>(舟山市明程房地產開發有限公司) |

\* The original site area of the land no. LZ-CZ-01 stated in the Grant Contract for State-owned Land Use Rights No. (2005) 32 was 539,464 sq.m. According to the Supplementary Grant Contract for State-owned Land Use Rights No. (2007) 30 entered into between Zhoushan Municipal Land Resources Bureau and Urban Construction Zhongji (Zhejiang) Industrial and Development Co., Ltd. (城建中稷(浙江)實業發展有限公司) on 26 May 2007, the granted site area of the land no. LZ-CZ-01 was reduced to 513,062 sq.m.

- (2) According to 11 Certificates for the Use of State-owned Land issued by Zhoushan Municipal Government, the land use rights of the land no. LZ-CZ-01, LZ-CZ-05, LZ-CZ-08 and LZ-CZ-09 comprising a total site area of 1,114,123.25 sq.m., have been vested in the Group with details as follows:

| Certificate No. | Corresponding Land Lot | Land Grantee   | Land Use Term  | Site Area<br>(sq.m.) |
|-----------------|------------------------|--|--|----------------------|
| (2005) 5479     | LZ-CZ-01               | Urban Construction Zhongji (Zhejiang) Industrial and Development Co., Ltd.<br>(城建中稷(浙江)實業發展有限公司) | 70 years due to expire on 28 April 2075 for residential use    | 98,040.10            |
| (2005) 5482     | LZ-CZ-01               |  |  | 245,097.15           |
| (2006) 6779     | LZ-CZ-01               |  |  | 33,333.00            |
| (2006) 6781     | LZ-CZ-01               |  |  | 33,496.00            |
| (2006) 6782     | LZ-CZ-01               |  |  | 33,349.00            |
| (2006) 6784     | LZ-CZ-01               |  |  | 33,371.00            |
| (2006) 6785     | LZ-CZ-01               |  |  | 33,341.00            |
| (2006) 6786     | LZ-CZ-01               |  |  | 29,437.00            |
| (2009) 0202314  | LZ-CZ-05               | Zhoushan Qianyuan Real Estate Development Co., Ltd.<br>(舟山市乾源房地產開發有限公司)                          | 70 years due to expire on 29 February 2076 for residential use | 165,119.00           |
| (2009) 0202311  | LZ-CZ-08               | Zhoushan Mingcheng Real Estate Development Co., Ltd.   | 70 years due to expire on 30 May 2076                          | 205,595.00           |
| (2009) 0202312  | LZ-CZ-09               | (舟山市明程房地產開發有限公司)   | 70 years due to expire on 29 February 2076                     | 203,945.00           |
| Total:          |                        |  |  | 1,114,123.25*        |

\* The updated Certificate for the Use of State-owned Land to reflect the reduction in site area as mentioned in Note(1) has not been issued yet. Had the updated certificate been issued, the site area should be revised to 1,087,721 sq.m.

- (3) According to Planning Permit for Construction Land No. 20090069 issued by Zhoushan Municipal Urban and Rural Construction Committee on 24 December 2009, the planning of part of the site of the property (Phase 1) was in compliance with the requirement of urban and rural planning and was permitted to be developed with a total site area of approximately 19,518 sq.m.
- (4) According to Planning Permit for Construction Works No. 20100003 issued by Zhoushan Municipal Urban and Rural Construction Committee on 8 January 2010, the planning of part of the construction works of the property (Phase 1) was in compliance with the requirement of urban and rural planning and was permitted to be developed with a total gross floor area of approximately 34,164.30 sq.m.
- (5) According to Permit for Commencement of Construction Works No. 330902201001220101 issued by Zhoushan Municipal Urban and Rural Construction Committee on 22 January 2010, part of the property (Phase 1) with a total gross floor area of 34,164.30 sq.m. is in compliance with the requirements for work commencement. Based on the Company's estimates, Phase 1 is expected to be completed in December 2011.

- (6) As advised by the Group, RMB12,000,000 of construction cost has been expended as at 31 December 2009 and the outstanding construction cost to complete the development was approximately RMB8,134,500,000. In the course of our valuation, we have taken into account such construction costs.
- (7) The capital value when completed of the proposed development as at 31 December 2009 was approximately RMB15,466,000,000.
- (8) As advised by the Group, the acquisition cost of the property was approximately RMB554,700,000.
- (9) According to Business License No. 3309001003278 dated on 29 March 2006, Urban Construction Zhongji (Zhejiang) Industrial and Development Co., Ltd. (城建中稷(浙江)實業發展有限公司) was established as a limited liability company on 5 February 2005 with a registered capital of RMB160,000,000 (with a paid-up capital of RMB160,000,000) for a valid operation period from 5 February 2005 to 4 February 2025.

According to Business License No. 330900000001962 dated 19 November 2007, Zhoushan Qianyuan Real Estate Development Co., Ltd. (舟山市乾源房地產開發有限公司) was established as a limited liability company on 31 October 2005 with a registered capital of RMB10,000,000 (with a paid-up capital of RMB10,000,000) for a valid operation period from 31 October 2005 to 30 October 2025.

According to Business License No. 330900000001979 dated on 2 April 2008, Zhoushan Mingcheng Real Estate Development Co., Ltd. (舟山市明程房地產開發有限公司) was established as a limited liability company on 31 October 2005 with a registered capital of RMB10,000,000 (with a paid-up capital of RMB10,000,000) for a valid operation period from 31 October 2005 to 30 October 2025.

- (10) We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia that:
- (i) Urban Construction Zhongji (Zhejiang) Industrial and Development Co., Ltd. (城建中稷(浙江)實業發展有限公司), Zhoushan Qianyuan Real Estate Development Co., Ltd. (舟山市乾源房地產開發有限公司) and Zhoushan Mingcheng Real Estate Development Co., Ltd. (舟山市明程房地產開發有限公司) are in possession of a proper legal title to the property and are entitled to transfer the property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;
- (ii) All land premium have been settled in full;
- (iii) Urban Construction Zhongji (Zhejiang) Industrial and Development Co., Ltd. (城建中稷(浙江)實業發展有限公司), Zhoushan Qianyuan Real Estate Development Co., Ltd. (舟山市乾源房地產開發有限公司) and Zhoushan Mingcheng Real Estate Development Co., Ltd. (舟山市明程房地產開發有限公司) are in possession of a proper legal title to develop the property; and
- (iv) Except part of the land no. LC-CZ-01 with the site area of approximately 19,518 sq.m. which is under construction, the Company has not commenced the development of the remaining portion of LC-CZ-01, LC-CZ-05, LC-CZ-08 and LC-CZ-09 (together, the "Remaining Land") within the timeframe specified in the respective Land Use Right Grant Contracts. As advised by the Group's legal advisor, the delay in the commencement of development was caused by revisions and adjustment to the overall planning of the project by the PRC government the Remaining Land should fall outside the circumstances of idle land and which may be subject to the risk of penalty payment or forfeiture to the PRC government.
- (11) The status of title and grant of major approvals and licenses in accordance with the information provided by the Group are as follows:

|  |               |
|--|---------------|
| Grant Contract for State-owned Land Use Rights | Yes           |
| Certificate for the Use of State-owned Land    | Yes           |
| Planning Permit for Construction Use of Land   | Yes (Portion) |
| Planning Permit for Construction Works         | Yes (Portion) |
| Permit for Commencement of Construction Work   | Yes (Portion) |
| Business License                               | Yes           |

## VALUATION CERTIFICATE

## Group II – Property held for future development in the PRC

| Property  | Description and tenure  | Particulars of occupancy                 | Capital value in existing state as at 31 December 2009 |             |         |                                 |        |        |                |  |  |
|---|---|--|--|-------------|---------|---------------------------------|--------|--------|----------------|--|--|
| 2. Three pieces of land with land no. LZ-CZ-02, LZ-CZ-03 and LZ-CZ-04 located in Changzhi Island, Dinghai District, Zhoushan City, Zhejiang Province, the PRC<br><br>中華人民共和國<br>浙江省舟山市<br>定海區長峙島<br>LZ-CZ-02,<br>LZ-CZ-03及<br>LZ-CZ-04號地塊 | The property comprises three pieces of land with a total site area of approximately 466,862 sq.m.<br><br>The property is planned to be developed into a large scale residential development with a total gross floor area of 688,010 sq.m.<br><br>As advised by the Group, the details of the development scheme are summarized as follows: | The property is currently a vacant site. | RMB1,100,000,000                                       |             |         |                                 |        |        |                |  |  |
|   | <table border="1"> <thead> <tr> <th>Use</th> <th>GFA<br/>(sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>609,550</td> </tr> <tr> <td>Basement carpark and facilities</td> <td>78,460</td> </tr> <tr> <td>Total:</td> <td><u>688,010</u></td> </tr> </tbody> </table>  | Use                                      | GFA<br>(sq.m.)   | Residential | 609,550 | Basement carpark and facilities | 78,460 | Total: | <u>688,010</u> |  |  |
| Use   | GFA<br>(sq.m.)  |  |  |             |         |                                 |        |        |                |  |  |
| Residential   | 609,550   |  |  |             |         |                                 |        |        |                |  |  |
| Basement carpark and facilities   | 78,460  |  |  |             |         |                                 |        |        |                |  |  |
| Total:  | <u>688,010</u>  |  |  |             |         |                                 |        |        |                |  |  |
|   | As advised by the Group, the property will be completed by phase between 2013 and 2016. The land use rights of the property have been granted to the Group for a term of 70 years expiring on 25 May 2075 for residential use.  |  |  |             |         |                                 |        |        |                |  |  |

## Notes:

- (1) According to the Grant Contract for State-owned Land Use Rights entered into between Zhoushan Municipal Land Resources Bureau and Zhoushan Ruifeng Real Estate Development Co., Ltd. (舟山市瑞豐房地產開發有限公司), Zhoushan Municipal Land Resources Bureau has agreed to grant the land use rights of the property to the Group with details as follows:

| Contract No. | Land No.                         | Site Area<br>(sq.m.) | Land Use Term                | Plot Ratio |
|--------------|----------------------------------|----------------------|------------------------------|------------|
| (2005) 49    | LZ-CZ-02<br>LZ-CZ-03<br>LZ-CZ-04 | 466,862*             | 70 years for residential use | 2.0        |

- \* The original site area of the land no. LZ-CZ-02, 03 and 04 stated in the Grant Contract for State-owned Land Use Rights No. (2005) 49 were 507,252 sq.m. According to the Supplementary

Grant Contract for State-owned Land Use Rights No. (2007) 11 entered into between Zhoushan Municipal Land Resources Bureau and Zhoushan Ruifeng Real Estate Development Co., Ltd. (舟山市瑞豐房地產開發有限公司) on 26 May 2007, the granted site area of the land no. LZ-CZ-02, 03 and 04 were reduced to 466,862 sq.m.

- (2) According to 11 Certificates for the Use of State-owned Land issued by Zhoushan Municipal Government, the land use rights of the property, comprising a total site area of 466,862 sq.m., have been vested in Zhoushan Ruifeng Real Estate Development Co., Ltd. (舟山市瑞豐房地產開發有限公司) for a term of 70 years due to expire on 25 May 2075 for residential use with details as follows:

| Certificate No. | Location                | Issued Date       | Site Area<br>(sq.m.) |
|-----------------|-------------------------|-------------------|----------------------|
| (2006) 2526     | Lot LZ-CZ-04            | 18 May 2006       | 33,333.39            |
| (2006) 3816     | Lot LZ-CZ-03            | 6 July 2006       | 33,860.87            |
| (2006) 7936     | Lot LZ-CZ-02            | 14 December 2006  | 33,340.00            |
| (2006) 7937     | Lot LZ-CZ-02            | 14 December 2006  | 17,112.46            |
| (2008) 0201531  | Lot LZ-CZ-02, 03 and 04 | 25 September 2008 | 33,389.26            |
| (2008) 0201532  | Lot LZ-CZ-02, 03 and 04 | 25 September 2008 | 33,408.20            |
| (2008) 0201533  | Lot LZ-CZ-02, 03 and 04 | 25 September 2008 | 57,972.73            |
| (2008) 0201534  | Lot LZ-CZ-02, 03 and 04 | 25 September 2008 | 33,288.63            |
| (2008) 0201535  | Lot LZ-CZ-02, 03 and 04 | 25 September 2008 | 38,526.04            |
| (2008) 0201536  | Lot LZ-CZ-02, 03 and 04 | 25 September 2008 | 17,946.81            |
| (2009) 0202313  | Lot LZ-CZ-02, 03 and 04 | 11 September 2009 | 134,683.61           |
| Total:          |                         |                   | 466,862.00           |

- (3) The Planning Permit for Construction Land and Planning Permit for Construction Works of Group II properties have not yet been obtained as these properties were held for future development.
- (4) As advised by the Group, the acquisition cost of the property was approximately RMB238,100,000.
- (5) According to Business License No. 330900000001083 dated on 4 April 2008, Zhoushan Ruifeng Real Estate Development Co., Ltd. was established as a limited liability company on 12 April 2005 with a registered capital of RMB10,000,000 (with a paid-up capital of RMB10,000,000) for a valid operation period from 12 April 2005 to 11 April 2025.
- (6) We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia that:
- (i) Zhoushan Ruifeng Real Estate Development Co., Ltd. (舟山市瑞豐房地產開發有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;
  - (ii) All land premium have been settled in full;
  - (iii) Zhoushan Ruifeng Real Estate Development Co., Ltd. (舟山市瑞豐房地產開發有限公司) is in possession of a proper legal title to develop the property; and
  - (iv) The Company has not commenced the development of the property within the timeframe specified in the Land Use Right Grant Contract. As advised by the Group's legal adviser, development was caused by revisions and adjustment to the overall planning of the project by the PRC government the Remaining Land should fall outside the circumstances of idle land and which may be subject to the risk of penalty payment or forfeiture to the PRC government.
- (7) The status of title and grant of major approvals and licenses in accordance with the information provided by the Group are as follows:

|  |     |
|--|-----|
| Grant Contract for State-owned Land Use Rights | Yes |
| Certificate for the Use of State-owned Land    | Yes |
| Business License                               | Yes |

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' Interests in Shares

As at the Latest Practicable Date, save as disclosed below, none of the Directors or chief executive of the Company has interests or short positions in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

#### (i) Long positions in shares and underlying shares of the Company

| Name of Director | Total number<br>of Shares | Options to<br>subscribe for<br>Shares of<br>the Company | Number of Shares<br>held under<br>equity derivative | Capacity in which<br>interests are held | % of the<br>issued share<br>capital of<br>the Company |
|------------------|---------------------------|---|---|---|---|
| Mr Song Weiping  | 392,124,000               | -   | -   | Interest of a controlled<br>corporation | 23.68%  |
|                  | (Note 1)                  |   |   |   |   |
|                  | 68,859,000                | -   | -   | Interest of a controlled<br>corporation | 4.16%   |
|                  | (Note 2)                  |   |   |   |   |
| -                | 100,000,000               | -   | -   | Interest of a controlled<br>corporation | 6.04%   |
|                  | (Note 3)                  |   |   |   |   |
|                  | -                         | 1,089,000   | -   | Beneficial owner                        | 0.07%   |
|                  |                           | (Note 4)  |   |   |   |
| Mr Shou Bainian  | 384,490,500               | -   | -   | Interest of a controlled<br>corporation | 23.22%  |
|                  | (Note 5)                  |   |   |   |   |
|                  | -                         | 609,000   | -   | Beneficial owner                        | 0.04%   |
|                  |                           | (Note 4)  |   |   |   |

| Name of Director | Total number of Shares  | Options to subscribe for Shares of the Company | Number of Shares held under equity derivative | Capacity in which interests are held | % of the issued share capital of the Company |
|------------------|-------------------------|--|---|--------------------------------------|--|
| Mr Luo Zhaoming  | 100,000,000<br>(Note 6) | -  | -   | Interest of a controlled corporation | 6.04%  |
|                  |                         | 15,000,000<br>(Note 7)                         | -   | Beneficial owner                     | 0.91%  |
| Mr Guo Jiafeng   | 13,010,000<br>(Note 8)  | -  | -   | Interest of a controlled corporation | 0.79%  |
|                  |                         | 576,000<br>(Note 4)                            | -   | Beneficial owner                     | 0.03%  |
| Mr Chen Shunhua  | -                       | 376,500<br>(Note 4)                            | -   | Beneficial owner                     | 0.02%  |

*Notes:*

- (1) Mr Song Weiping is interested in 392,124,000(L) Shares as the sole shareholder of Delta House Limited.
- (2) Mr Song Weiping is interested in 68,859,000(L) Shares held by Wisearn Limited, a company wholly-owned by his spouse Ms Xia Yibo.
- (3) Mr Song Weiping is interested in 100,000,000(L) Shares held by Hong Kong Orange Osmanthus Foundation Limited, a corporation controlled by Mr Song Weiping.
- (4) Pursuant to the share option scheme adopted by a resolution of the Shareholders on 22 June 2006, these share options were granted on 22 January 2009 and are exercisable at HK\$2.89 per Share from 22 January 2009 to 21 January 2019.
- (5) Mr Shou Bainian is interested in such Shares as the sole shareholder of Profitwise Limited.
- (6) Mr Luo Zhaoming is interested in such Shares held by Tandellen Group Limited, a company 50% owned by him and 50% owned by his spouse Ms Ruan Yiling.
- (7) Pursuant to the share option scheme adopted by a resolution of the Shareholders on 22 June 2006, these share options were granted on 17 July 2009 and are exercisable at HK\$11.59 per Share from 17 July 2009 to 16 July 2019.
- (8) Mr Guo Jiafeng is interest in such Shares as a sole shareholder of Jamuta Investments Limited.



## (ii) Long positions in shares and underlying shares of associated corporation

| Name of Director | Name of associated corporation                | Number of Shares (long positions)       |                   |                  | Approximate shareholding % of issued share capital of associated corporation |
|------------------|---|---|-------------------|------------------|--|
|                  |   | Interest held by controlled corporation | Personal interest | Family interest  |  |
| Mr Song Weiping  | Delta House Limited                           | -                                       | Beneficial owner  | -                | 100%   |
|                  | Wisearn Limited                               | -                                       | -                 | Beneficial owner | 100%   |
|                  | Hong Kong Orange Osmanthus Foundation Limited | -                                       | Beneficial owner  | -                | 50%  |
| Mr Shou Bainian  | Profitwise Limited                            | -                                       | Beneficial owner  | -                | 100%   |
| Mr Luo Zhaoming  | Tandellen Group Limited                       | -                                       | Beneficial owner  | -                | 50%  |
|                  |   | -                                       | -                 | Beneficial owner | 50%  |
| Mr Guo Jiafeng   | Jamuta Investments Limited                    | -                                       | Beneficial owner  | -                | 100%   |

## (b) Substantial Shareholders

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Board, no persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of substantial Shareholder | Interest or short position in the Shares or underlying Shares | Capacity in which interests are held                        | Approximately shareholding % in the Company |
|---------------------------------|---|---|---|
| Ms Xia Yibo                     | 562,072,000 (L)<br>(Note 1)                                   | Interest of a controlled corporation and interest of spouse | 33.95%                                      |

| Name of substantial Shareholder               | Interest or short position in the Shares or underlying Shares | Capacity in which interests are held                        | Approximately shareholding % in the Company |
|---|---|---|---|
| Delta House Limited                           | 392,124,000 (L)<br>(Note 2)                                   | Beneficial owner  | 23.68%                                      |
| Hong Kong Orange Osmanthus Foundation Limited | 100,000,000 (L)<br>(Note 2)                                   | Beneficial owner  | 6.04%                                       |
| Profitwise Limited                            | 384,490,500 (L)<br>(Note 3)                                   | Beneficial owner  | 23.22%                                      |
| Ms Ruan Yiling                                | 115,000,000 (L)<br>(Note 4)                                   | Interest of a controlled corporation and interest of spouse | 6.95%                                       |
| Tandellen Group Limited                       | 100,000,000 (L)<br>(Note 5)                                   | Beneficial owner  | 6.04%                                       |
| Lehman Brothers Holdings Inc                  | 101,400,450 (L)<br>(Note 6)                                   | Interest of controlled corporations                         | 6.12%                                       |
|   | 31,868,575 (S)<br>(Note 6)                                    | Interest of controlled corporations                         | 1.92%                                       |
| J.P. Morgan Securities Ltd.                   | 79,738,760 (L)<br>(Note 7)                                    | Beneficial owner  | 4.82%                                       |
|   | 48,701,000 (S)<br>(Note 7)                                    | Beneficial owner  | 2.94%                                       |
| Baytree Investments (Mauritius) Pte Ltd       | 82,867,000 (L)<br>(Note 8)                                    | Beneficial owner  | 5.00%                                       |
| Seletar Investments Pte Ltd                   | 82,867,000 (L)<br>(Note 8)                                    | Interest of controlled corporations                         | 5.00%                                       |
| Temasek Capital (Private) Limited             | 82,867,000 (L)<br>(Note 8)                                    | Interest of controlled corporations                         | 5.00%                                       |

## Notes:

- (1) Ms Xia Yibo held deemed interest in 68,859,000(L) Shares as sole shareholder of Wisearn Limited, and deemed interest in 392,124,000(L) Shares held by Delta House Limited and 100,000,000(L) Shares held by Hong Kong Orange Osmanthus Foundation Limited, both are corporations controlled by her spouse, Mr Song Weiping, and deemed interest in 1,089,000 share options held by Mr Song.
- (2) A corporation controlled by Mr Song Weiping, duplicates to those disclosed in the section "Directors' Interests in Shares" above.
- (3) A corporation controlled by Mr Shou Bainian, duplicates to those disclosed in the section "Directors' Interests in Shares" above.
- (4) Ms Ruan Yiling held deemed interest in 100,000,000(L) Shares held by Tandellen Group Limited, a controlled corporation 50% owned by her and 50% owned by her spouse, Mr Luo Zhaoming, and deemed interest in 15,000,000(L) share options held by her spouse, Mr Luo Zhaoming.

- (5) A corporation controlled by Mr Luo Zhaoming, duplicates to those disclosed in the section “Directors’ Interests in Shares” above.
- (6) Lehman Brothers Holdings Inc. held interest in a total of 101,400,450(L) Shares and 31,868,575(S) Shares by virtue of its control over the following corporations, which held direct interests in the Company:
- Lehman Brothers Commercial Corporation Asia Limited held 10,768,010(L) Shares. Lehman Brothers Commercial Corporation Asia Limited was 50% owned by LBCCA Holdings I LLC and 50% owned by LBCCA Holdings II LLC. LBCCA Holdings I LLC and LBCCA Holdings II LLC were respectively wholly-owned by Lehman Brothers Holdings Inc.
  - Lehman Brothers International (Europe) held 34,157,882(L) Shares and 23,917,500(S) Shares. Lehman Brothers International (Europe) was wholly-owned by Lehman Brothers Holdings Inc.
  - Lehman Brothers Inc. held 2,009,575(L) Shares and 2,009,575(S) Shares. Lehman Brothers Inc. was wholly-owned by Lehman Brothers Holdings Inc.
  - Lehman Brothers Finance S.A. held 54,464,983(L) Shares and 5,941,500(S) Shares. Lehman Brothers Finance S.A. was wholly-owned by Lehman Brothers Holdings Inc.

Among the entire interest of Lehman Brothers Holdings Ltd. in the Company, 35,065,892(L) Shares and 3,773,000(S) Shares were held through derivatives as follows:

- 35,065,892(L) Shares through physically settled derivatives (off exchange)
  - 173,000(S) Shares through physically settled derivatives (off exchange)
  - 3,600,000(S) Shares through cash settled derivatives (off exchange)
- (7) J.P. Morgan Securities Ltd. is a directly or indirectly controlled corporation of the following companies:
- J.P. Morgan Chase International Holdings Limited;
  - J.P. Morgan Chase (UK) Holdings Limited;
  - J.P. Morgan Capital Holdings Limited;
  - J.P. Morgan International Finance Limited;
  - Bank One International Holdings Corporation;
  - J.P. Morgan International Inc.;
  - JPMorgan Chase Bank, N.A.; and
  - JPMorgan Chase & Co.

Among the entire interest of J.P. Morgan Securities Ltd. in the Company, 67,738,760(L) Shares and 48,701,000(S) Shares were held through derivatives through physically settled derivatives (on exchange).

- (8) Seletar Investments Pte Ltd is directly wholly-owned by Temasek Capital (Private) Limited. Temasek Capital (Private) Limited and Seletar Investments Pte Ltd held interest in 82,867,000(L) Shares by virtue of its control over Baytree Investments (Mauritius) Pte Ltd, which held direct interests in the Company.
- (9) The letter “L” denotes a long position. The letter “S” denotes a short position.

### 3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with the Company which does not expire or which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### 4. COMPETING BUSINESS INTEREST OF DIRECTORS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or their respective associates was interested in any other business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

| Name of Director | Name of Competing Entity         | Nature of business of the competing entity                                 | Nature of interest of the director in the competing entity |
|------------------|----------------------------------|--|--|
| Mr Song Weiping  | Greentown Holdings Group Limited | The development and sale of the Remaining Non-Inclusion Projects<br>(Note) | Director and substantial shareholder                       |
| Mr Shou Bainian  | Greentown Holdings Group Limited | The development and sale of the Remaining Non-Inclusion Projects<br>(Note) | Director and substantial shareholder                       |

*Note:* The remaining four (the “**Remaining Non-Inclusion Projects**”) out of eight property projects (the “**Non-Inclusion Projects**”) as referred to in the deed of non-competition dated 22 June 2006, details of which are disclosed in the section headed “Business – Non-competition undertaking – Non-inclusion projects” in the prospectus of the Company dated 30 June 2006.

### 5. MATERIAL ADVERSE CHANGE

On 21 April 2009, the Company announced the commencement of a tender offer to purchase for cash any and all of its outstanding US\$400,000,000 9.00% Senior Notes due 2013, and to solicit from the holders of the Senior Notes consents to the proposed amendments and waivers of the provisions of the indenture governing the Senior Notes. The Company announced on 20 May 2009 that the aggregate amount to be paid by the Company to the holders of the Senior Notes for the purchase of the Senior Notes tendered pursuant to the tender offer

and the payment for the consent delivered pursuant to the consent solicitation was approximately US\$308,713,057 (approximately HK\$2,401,787,584). Such payment for all tendered Senior Notes and delivered consents have been made by the Company in May 2009.

Save as disclosed in the above announcements of the Company, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Company were made up.

## 6. EXPERTS

Each of Hercules Capital and DTZ has given and has not withdrawn its respective written consent to the issue of this circular with the inclusion of its respective letter and reference to its respective names in the form and context in which they respectively appear.

The following are the qualifications of the experts who have given their respective opinion or advice which are contained in this circular:

| <b>Name</b>      | <b>Qualification</b>  |
|------------------|---|
| Hercules Capital | A licensed corporation under the SFO to conduct Type 6 (advising on corporate finance) regulated activity under the SFO |
| DTZ              | An independent professional property valuer   |

As at the Latest Practicable Date, Hercules Capital and DTZ did not have (i) any shareholding in the Company or any of its subsidiaries, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any of its subsidiaries, and (ii) any interest, either direct or indirect, in any assets which, since 31 December 2008 (the date to which the latest audited financial statements of the Group was made up), had been acquired, or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired, or disposed of by, or leased to the Company or any of its subsidiaries.

## 7. GENERAL

- (a) Save as disclosed in the announcements of the Company dated 6 January 2010, 16 December 2009, 13 August 2009, 8 May 2009 and 1 December 2008, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

- (b) Save as disclosed in the announcement of the Company dated 1 December 2008, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.
- (c) The company secretary of the Company is Mr Lam Jim. Mr Lam is a member of the Hong Kong Institute of Certified Public Accountants.
- (d) The registered address of the Company is M&C Corporate Services Limited, PO Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands.
- (e) The principal place of business of the Company in Hong Kong is at Room 1406-08, 14th Floor, New World Tower 1, 16-18 Queen's Road Central, Hong Kong.
- (f) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.
- (g) The principal share registrar of the Company is Butterfield Fulcrum Group (Cayman) Limited (formerly known as Butterfield Fund Services (Cayman) Limited).
- (h) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

## **8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Company's principal place of business in Hong Kong at Room 1406-08, 14th Floor, New World Tower 1, 16-18 Queen's Road Central, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including 16 March 2010:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 December 2008;
- (c) the letter from the Independent Board Committee to the Shareholders, the text of which is set out on page 16 of this circular;
- (d) the letter of advice from Hercules Capital, the Independent Financial Adviser to the Independent Board Committee and the Shareholders, the text of which is set out on pages 17 to 26 of this circular;
- (e) the valuation report issued by DTZ on the Project as set out in Appendix I to this circular;

- (f) the written consents referred to in the paragraph headed “Experts” in this Appendix;
- (g) the Agreement;
- (h) the MOU;
- (i) the Framework Agreement; and
- (j) this circular.